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**APPLICATION FOR UNITED STATES  
LETTERS PATENT**

**ONLINE TRADING AND DYNAMIC ROUTING OF ELECTRIC POWER AMONG  
ELECTRIC SERVICE PROVIDERS**

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FILED FOR PATENT

## **RELATED APPLICATIONS**

This application claims priority from U.S. Provisional Patent Application Serial Number 60/228,275 which was filed on August 25, 2000.

## **BACKGROUND OF THE INVENTION**

### **1. Field of the Invention**

The present invention relates to electronic commerce and, in particular, a method and system for the trading of electricity services and dynamic routing of electric power based on settled trades.

### **2. Description of the Related Art**

The North American power grid is an interconnected system of many regional power grids, i.e., electric power transmission and distribution systems. Each transmission and power distribution system is traditionally owned and operated by an electric utility and includes a generating system, a transmission system, a distribution system, and a control center. The interconnection of the transmission systems forms the power grid and permits the interchange of electricity between the various electric utilities. The electric utilities have generally operated as vertically integrated local monopolies by producing or purchasing electric power to serve all the users within the geographic boundaries of their transmission and distribution system. Presently, almost all end users purchase electric power from their local electric utilities serving their geographic areas.

The control center of each regional power grid monitors the generating plants, transmission systems, distribution systems, and customer loads. The control center may also

provide automatic control of field equipment, for example, in response to an emergency shutdown of a generating facility.

Recent Federal legislative and regulatory activities and market place forces are significantly changing the electric power industry such that the traditional monopolistic attributes of electric utilities are yielding to free market forces. Several states have adopted legislations to deregulate the electric power industry. The legislation has created three types of participants within each transmission and distribution system previously controlled by one vertically integrated electric utility: electric power generators, transmission companies, and distribution companies.

One of the primary aims of electric power deregulation efforts is to reduce energy prices to customers by introducing competition among power generators and other service providers (Power generators include resellers or companies that own generating facilities). As competition increases, power generators are expected to offer prospective customers various pricing plans premised, for example, on volume and term commitments, and peak/off-peak usage.

Under current deregulation schemes, local distribution company facilities of the local electric utility will continue to be a government-regulated monopoly within the region it serves. These facilities are primarily the wires and other equipment constituting the local power grid over which electric power is transmitted to end user locations.

To date, an active wholesale market exists for electric power. Power generators, distribution companies, resellers, independent traders and brokers actively buy and sell electric power in a wholesale market. A power generator may wish to sell excess generating capacity not

required for its own operations or not contractually committed to any customer, or may need to purchase additional power to satisfy its generating commitments. A local electric utility may need to sell excess generating capacity (from its own generating plants) or buy power from nearby utilities, resellers, traders or brokers to cover a shortfall in its own supply (e.g., during certain peak periods). Resellers and traders may need to fulfill take-or-pay or supply contracts they have with power generators, local utilities or each other or to trade derivatives based on speculation about the future price of power in the spot market.

Under the current scheme, consumers may make individual contracts with power suppliers or may group together in a power exchange to collectively buy power. An operator of the power exchange will assess the next day's power supply requirements by asking power generators (all entities willing to supply electric power to the exchange) to submit asking prices for specifies quantities of power to be delivered to the power grid during each hour of the next day. Starting with the lowest asking price, the exchange operator matches the assessed needs for power against the offered power on an hourly basis until it has sufficient power to meet the assessed needs.

In the wholesale power market, the power must be transferred over the interconnected transmission systems or regional power grids. Buyers typically take title to the purchased electric power at well-established interfaces or transfer points on a regional power grid (e.g., the Oregon-California border). However, the purchase arrangement may call for title to be passed at some alternate point, such as (i) the point on the regional grid nearest the seller's generating facility or (ii) if the buyer is a local distribution company, the point(s) on its local grid where the grid interfaces with the power grids of neighboring utilities. Before this power can be

delivered to the buyer at the agreed transfer point, the seller must schedule a "contract path" for this power to travel from the seller's generating facility (or the point at which the seller is to take title if the seller purchased this power from another source) to the transfer point. The buyer must, in turn, schedule a transmission path from the transfer point to the buyer's own grid interface (if the buyer, for example, is a local distribution utility) or, if the buyer is reselling this power to another party, to a transfer point agreed to by such other party. Scheduling contract or transmission paths is usually coordinated through the regional grid controller(s) for the power grids over which this power is to be transmitted. The regional grid controller manages one or more local power grids, keeping demand on the combined grid in balance with available supply at all times. Generally, the affected power grids are those owned and controlled by the electric utilities whose service areas are situated between the source of this power and the transfer point. The charges for transmission of the purchased power to and from the point at which title is passed are normally borne by the seller and buyer, respectively.

The present control systems do not allow users to automatically and dynamically route electric power based on settled trades in the spot market. Accordingly, an online trading system is required for automatically and dynamically configuring an electric network to route electric power between buyers and sellers as well as performing clearinghouse or settlement functions for the buyers and sellers.

## SUMMARY OF THE INVENTION

An object of the present invention is to provide a method and system for facilitating online trading of electric power and for dynamically routing the power based on settled trades in the spot market.

5           According to the present invention, a system enables buyers and sellers to electronically and anonymously trade electric power and physically deliver the purchased electric power in real time. The system also actively manages the reliability of the transmission network using a feedback control scheme, as it routes the electric power.

10           In a presently preferred embodiment, the system includes a control node, a switch controller, an electric network, and switching devices. The control node collects bids and asks from buyers and sellers of electric services through a wide-area network such as the Internet. The control node matches the bids and asks and produces a route plan, at predetermined periods of time, based on parameters specified in the matched bids and asks. In generating the route plan, the control node takes into account the supply and demand on the  
15           system by matching loads and resources of the system on a real-time basis.

20           The control node according to the present invention allows buyers to directly bid on the spot market power exchange and allows sellers to directly input asking prices for the power they supply so that the control node dynamically connects a buyer with the seller with the lowest asking price. If at a later time, another provider becomes available that has a lower asking price, the control node automatically switches to the new supplier. Of course all dynamic spot market buyers will want the provider with the lowest asking price. In one

embodiment, the buyers connected to one node may equally share the power from the provider with the lowest available asking price. In this scenario, each user is supplied by various suppliers. Alternatively, the buyers may share the power from one provider in which the size of the share is based on the size of the power requirement of each buyer. For example, if there are only two buyers and the first buyer requires twice the amount of power as the second buyer, the first buyer receives  $\frac{2}{3}$  of the power from the provider with the lowest asking price and the second buyer receives  $\frac{1}{3}$  of the power from that provider.

In a further embodiment, the buyers may be entitled to receive power from the lowest asking price provider based on some type of hierarchy. For example, the buyer with the highest demand for power may be entitled to the lowest asking price.

A switch controller of the transmission network receives the route plan from the control node and sends control signals to the switching devices on the electric network so as to route power from the sellers to the buyers according to the route plan. The electric network is responsive to electronic commands for routing power according to the route plan. The electric network may be configured as alternating current (A/C), direct current (D/C), or a hybrid (i.e. a combination of A/C and D/C) power transmission system.

In a particularly preferred embodiment, the electric network is configured as a high-voltage direct-current transmission system and the switching devices are semiconductor-based (e.g., silicon carbide) such that the flow and level of electric power can be controlled precisely and rapidly. The electric network further includes feedback sensors for monitoring the performance and efficiency of the network and for measuring actual supply and demand of

electric power on the network. The control node receives measurements from the feedback sensors and adjusts the route plan and thus the power flow to various grids of the electric network so as to balance the load and resources on the network.

In one embodiment, the control node includes a deal maker module, a route plan generator, a feedback controller, a switch agent, and an accounting module. The deal-maker module uses conventional algorithms to match bids and asks from buyers and sellers. In the case where the bids and asks include pricing and scheduling information, the deal-maker module matches the bids and asks based on the pricing and scheduling information. The route plan generator produces a route plan based on the matched bids and asks. The switch agent executes the route plan by actuating the switching devices on the electric network. The feedback controller performs real-time balancing of load and power generation based on feedback data from the feedback sensors. The accounting module computes and settles the trades based on the buyers' usage of electric services as measured by the feedback sensors.

The various features of novelty which characterize the invention are pointed out with particularity in the claims annexed to and forming a part of the disclosure. For a better understanding of the invention, its operating advantages, and specific objects attained by its use, reference should be had to the drawing and descriptive matter in which there are illustrated and described preferred embodiments of the invention.

Other objects and features of the present invention will become apparent from the following detailed description considered in conjunction with the accompanying drawings. It is to be understood, however, that the drawings are designed solely for purposes of



illustration and not as a definition of the limits of the invention, for which reference should be made to the appended claims. It should be further understood that the drawings are not necessarily drawn to scale and that, unless otherwise indicated, they are merely intended to conceptually illustrate the structures and procedures described herein.

**BRIEF DESCRIPTION OF THE DRAWINGS**

In the drawings, wherein like reference characters denote similar elements:

Fig. 1 is a block diagram of an embodiment of the trading system of the present invention; and

5 Fig. 2 is a flow diagram of a method for dynamically trading electric power according to the present invention.

## DETAILED DESCRIPTION OF THE PRESENTLY PREFERRED EMBODIMENTS

Fig. 1 depicts a schematic diagram of an embodiment of the online trading system according to the present invention comprising a control node 10 connected to a wide area network such as the internet 20 and to an electric power transmission network 30. The electric power transmission network 30 includes a transmission network that conducts the flow of electricity from points of generation to points of distribution. In addition, the electric power transmission network may also include a distribution system that delivers the electric power to consumers.

According to the present invention, buyers use, for example, wireline or wireless terminals 40 to input bids and sellers use their own terminals 50 to input asks in a spot market. The control node 10 comprises a deal-maker module 12 which receives the bids and asks and determines matches. The bids and asks may be automatically input or manually input to the control node 10. For example, when a user turns on an air conditioning system the user terminal 40 may automatically input a bid for the required power.

The control node 10 further comprises a route planner 14 for generating a route plan for the settled trade, i.e., a matched bid and ask, and transmits the route plan for the matched bids and asks. The route planner 14 is connected to a dispatch center or central control 35 of the electric power transmission network 30 which provides supply and demand information to the route planner 14 via a feedback loop. Accordingly, the route planner 14 determines whether a matched bid and ask, i.e., settled trade, is possible based on the current supply and demand on the electric power transmission network 30. Once the route planner 14

determines that the settled trade is possible, the route planner 14 transmits the route to the central control 35 to implement the settled trade. The central control 35 controls a switch agent to make any switches necessary to deliver the seller (power generator) to the buyer (consumer) to effect the settled trade. Accordingly, the control node 10 matches loads and resources of the electric power system on a real time basis. An accounting module 16 computes and settles the trades based on the buyers' usage of electric services as measured by the feedback sensors.

The electric power transmission network 30 may comprise AC, DC, or a hybrid system. In a preferred embodiment, the electric power transmission network comprises a high-voltage direct-current (HVDC) system with switch devices including power semiconductors, i.e., thyristors, for switching power.

The deal-maker module 12 may optionally also consider scheduling information for generating conventional settled trades on an advanced basis.

Although the control node 10 is shown as separate from the central control 35 of the network, the control node 10 may be integrated in the central control 35.

Referring to Fig. 2, a method according to the present invention for facilitating trading of electric power includes collecting by the control node 10 bids and asks from buyers and sellers of electric power, step 200. The control node then matches the collected bids and asks to form a settled trade, step 210. The control node then generates a route plan based on the settled trade, step 220. If a route is available from the provider to the buyer, the control node configures an electric network to route electric power according to the generated route plan, step 230.

The control node according to the present invention allows buyers to directly bid on the spot market power exchange and allows sellers to directly input asking prices for the power they supply so that the control node dynamically connects a buyer with the seller with the lowest asking price. If at a later time, another provider becomes available that has a lower asking price, the control node automatically switches to the new supplier. Of course, all dynamic spot market buyers will want the provider with the lowest asking price. Therefore, all the buyers connected to the control node may equally share the power from the provider with the lowest available asking price. In this scenario, each user is supplied by various suppliers. Alternatively, the buyers may share the power from one provider in which the size of the share is based on the size of the power requirement of each buyer. For example, if there are only two buyers and the first buyer requires twice the amount of power as the second buyer, the first buyer receives twice as much power from the provider with the lowest asking price as the second buyer.

In yet another embodiment, the buyers may be entitled to receive power from the lowest asking price provider based on some type of hierarchy or priority. For example, the buyer with the highest demand for power may have priority to the power from the provider with the lowest asking price. In this embodiment, the buyers with the highest demands receive power from the provider with the lowest asking price. Then the power of the provider with the second lowest asking price is distributed to those of the remaining buyers with the highest demands. This process continues until there is no available power left or until there is no demand left.

The invention is not limited by the embodiments described above which are presented as examples only but can be modified in various ways within the scope of protection defined by the appended patent claims.

Thus, while there have shown and described and pointed out fundamental novel features of the invention as applied to a preferred embodiment thereof, it will be understood that various omissions and substitutions and changes in the form and details of the devices illustrated, and in their operation, may be made by those skilled in the art without departing from the spirit of the invention. For example, it is expressly intended that all combinations of those elements and/or method steps which perform substantially the same function in substantially the same way to achieve the same results are within the scope of the invention. Moreover, it should be recognized that structures and/or elements and/or method steps shown and/or described in connection with any disclosed form or embodiment of the invention may be incorporated in any other disclosed or described or suggested form or embodiment as a general matter of design choice. It is the intention, therefore, to be limited only as indicated by the scope of the claims appended hereto.